Initial contributions.

322. The amount to be allowed as a deduction on account of an initial contribution, which an employer may make in respect of the past services of an employee admitted to the benefits of a fund, shall not exceed 8⅓% of the salary of the employee for each year of his past service with the employer.

Assigning or creating a charge on beneficial interest in a gratuity fund.

323. If an employee assigns or creates a charge upon his beneficial interest in a gratuity fund, the Assessing Officer shall give notice to the employee that if he does not secure the cancellation of the assignment or charge within two months of the date of receipt of the notice, the consideration received for such assignment or charge shall be deemed to be income received by him in the tax year in which the fact became known to the Assessing Officer and shall be assessed accordingly.

Employer not to have interest in fund moneys.

324. No money belonging to the fund shall be receivable by the employer under any circumstances nor shall the employer have any lien or charge on the fund.

Arrangements for winding up, etc., of business.

325. Where the trade or undertaking of the employer is to be wound up or discontinued, the trustees shall, with the prior approval of, and subject to such conditions as may be imposed by, approving authority, make satisfactory arrangements for the payment of gratuity to the existing beneficiaries.

Arrangements for winding up of the fund.

326. Any arrangements for the winding up of the fund or for its amalgamation with another fund shall be subject to the prior approval of, and to such conditions as may be imposed by, the approving authority.

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कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Application for approval.

327. The application for approval of a gratuity fund is required to be furnished under paragraph 4(1) of Part B of Schedule XI to the Act shall be made in Form No. 188 and shall be verified in the manner indicated therein.

Amendment of rules, etc., of fund.

328. No alteration in the rules, constitution, objects or conditions of an approved fund shall be made without the prior approval of the approving authority.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Appeal under paragraph 9(1) of Part B of Schedule XI to the Act in case of gratuity fund.

329. An appeal under paragraph 9(1) of Part B of Schedule XI to the Act shall be made in Form No. 187 and shall be verified in the manner indicated therein and shall be accompanied by a fee of Rs. 1,000.

Limits of reserve for unexpired risks.

330. (1) In the computation of profits and gains for any insurance business other than life insurance, the amount carried over to a reserve for unexpired risks, including any amount carried over to any such additional reserve eligible for deduction under paragraph 4(1)(*d*) of Schedule XIV to the Act, shall not exceed,—

(*a*) where the insurance business relates to fire insurance or engineering insurance that covers terrorism risks, 100% of the net premium income of such business of the tax year; or

(*b*) where the insurance business relates to fire insurance or miscellaneous insurance, other than those mentioned in clause (*a*), 50% of the net premium income of such business of the tax year; or

(*c*) where the insurance business relates to marine insurance, 100% of the net premium income of such business of the tax year.

(2) Any amount out of the amount carried over to such reserve or additional reserve, which is not allowed as a deduction under this rule in respect of any tax year, shall not be included in the total income for the immediately succeeding tax year in the revenue account relating to which the said amount is credited.

(3) In this rule,—

(*a*) "marine insurance" includes the Export Credit Insurance; and

(*b*) "net premium income" refers to the premium amount received as reduced by the reinsurance premium paid during the relevant tax year.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Procedure for approval under paragraph (1)(*z*)(*i*) and (*ii*) of Schedule XV to the Act.

331. (1) The Central Board of Direct Taxes, before granting approval to a public company under paragraph 1(*z*)(*i*) of Schedule XV to the Act or to a Mutual Fund under paragraph 1(*z*)(*ii*), of the said Schedule shall satisfy itself that for the entity mentioned in column B in the following Table, the application is made in the Form specified in column C with documents as mentioned in column D attached alongwith, and the application is filed within the time limit prescribed in column E thereof:

TABLE

Sl.No	*Entity*	*Application Form*	*Documents to be attached with the application*	*Time limit for filing application*
A	*B*	*C*	*D*	*E*
1.	Public company	Form No. 189	(*a*) Copy of certificate of incorporation under the Companies Act, 2013 (18 of 2013); and (*b*) audited balance sheet, and profit and loss account, for three tax years immediately preceding the tax year in which the application is made, or for the period of its existence, whichever is lesser.	Three months before "the eligible issue of capital," as referred to in paragraph 6(*i*) of Schedule XV to the Act.
2.	Mutual fund	Form No. 190.	(*a*) Copy of certificate of registration issued by the Securities and Exchange Board of India; and (*b*) audited balance sheet, and profit and loss account, for three tax years immediately preceding the tax year in which the application is made, or for the period of its existence, whichever is lesser.	Three months before the public issue.

(2) The Board shall pass an order approving or denying the application, but any decision denying approval shall not be made without providing the applicant a reasonable opportunity of being heard.

(3) Every applicant shall invest all its total paid-up capital, raised through equity issue or debentures, in the following manner:-

(*a*) at least 25% of the capital raised shall be invested—
  (*i*) in the infrastructure facility, in the case of a public company, and
  (*ii*) in the eligible issue of capital of any company referred to in paragraph (6)(*i*), of Schedule XV to the Act in the case of a Mutual Fund;
(*b*) such investment shall be made before the end of one year from the date of approval of the Board; and
(*c*) the rest of the capital shall be invested in like manner within three years from the date of approval.

(4) Every applicant shall submit a certificate from an accountant, as defined in section 515(3)(*b*), specifying the amount invested in each tax year, from the date of approval of the Board.

(5) The Board shall have the power to withdraw the approval granted under sub-rule (2), if such applicant-

(*a*) fails to make investments as per conditions mentioned in sub-rule (3); or
(*b*) fails to file the certificate referred to in sub-rule (4).

Electronic furnishing of Forms, returns, statements, reports, orders, certificates, etc.

332. (1) The Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems), as the case may be, may with the prior approval of the Board, specify that any of the Forms, returns, statements, reports, orders or certificates, by whatever name called, as specified in Appendix III, shall be furnished electronically—

(*a*) under digital signature, if it is required to be furnished under digital signature; or

(*b*) through electronic verification code in a case not covered under clause (*a*).

(2) The Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems), as the case may be, shall—

(*a*) with the approval of the Board specify the Forms, returns, statements, reports, orders, certificates referred to in sub-rule (1), which are to be furnished electronically;

(*b*) lay down the data structure, standards and procedure of furnishing and verification of such Forms, returns, statements, reports, orders, certificates including modification in format, if required, to make it compatible for furnishing electronically; and

(*c*) be responsible for ensuring secured capture and transmission of data, formulating and implementing appropriate security, archival and retrieval policies in relation to the said Forms, returns, statements, reports, orders and certificates.

Electronic payment of tax, interest, fee and penalty.

333. (1) The following persons shall pay electronically the tax, interest, fee and penalty on or after the date of commencement of this rule:—

(*a*) a company; and

(*b*) a person (other than a company), to whom the provisions of section 63 are applicable.

(2) For the purposes of this rule,—

(*a*) "pay electronically" shall mean, payment by way of—

(*i*) internet banking facility of the authorised bank; or

(*ii*) credit or debit cards; and

(*b*) the word "tax" shall have the meaning assigned to it in section 2(*106*).

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INCOME TAX DEPARTMENT